

FISCAL NOTE

HB 473 - SB 571

February 8, 2007

SUMMARY OF BILL: Reduces the state sales tax rate on food and food ingredients from 6.0% to 4.5%.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$35,466,000 / General Fund
\$79,543,000 / Education Fund
\$5,612,000 / Earmarked to Local Govt.
\$449,000 / Department of Revenue
\$1,122,000 / Sinking Fund

Decrease Local Govt. Revenues - \$5,612,000

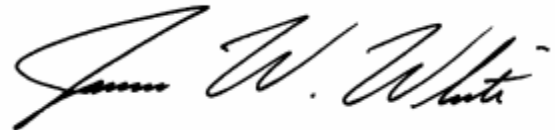
Assumptions:

- According to the Department of Revenue, taxable sales of food and food ingredients in Tennessee for FY05-06 were approximately \$7,753,600,000.
- Based on historical collection patterns, taxable sales of food and food ingredients are estimated to grow by approximately 2.5% per year.
- Taxable sales for FY07-08 are estimated to be approximately \$8,146,126,000.
- The recurring decrease in state sales tax revenue resulting from a one-time 1.5% rate reduction for food sales is estimated to be \$122,192,000 ($\$8,146,126,000 \times 1.5\% = \$122,191,890$) per year.
- The estimated \$122,192,000 in state sales tax revenue would have been apportioned as follows: \$35,466,000 to the General Fund, \$79,543,000 to education, \$5,612,000 to local governments, \$449,000 to the Department of Revenue (DOR), and \$1,122,000 to the Sinking Fund.

- The state will forgo additional sales tax revenue in subsequent fiscal years due to growth of taxable sales.
- Local governments are not held harmless from the loss of state-shared sales tax revenue.
- The recurring decrease to local government revenues is estimated to be \$5,612,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director